Nova Scotia

ANNUAL REPORT

*For the fiscal year*
*Ending March 31, 2002*

# Alcohol and Gaming Authority

103-02688/

To Her Honour
The Honourable Myra Freeman
Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2002.

Respectfully submitted,

David Morse

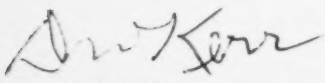
David Morse
Minister of Environment and Labour

The Honourable David Morse
Minister of Environment and Labour

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 2002. The Report reflects all activities of the Alcohol and Gaming Authority (including gaming, liquor and theatre and amusement activities).

Yours very truly,



Dennis W. Kerr
Executive Director
Alcohol and Gaming Authority

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## EXECUTIVE DIRECTOR'S REPORT

It is my pleasure to report on the operations of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2002.

During the past year, the Alcohol and Gaming Authority has worked to meet Government's challenges in response to the Red Tape Initiative. The Authority has reviewed and amended certain regulatory requirements to ensure public safety, and yet reduce the administrative burden of businesses in the alcohol, gaming, and amusement industries. Most notably, the Authority has worked towards responding to concerns expressed to the Red Tape Task Force by restaurant and beverage industry representatives.

In January 2002, various regulations were amended to increase license terms to a maximum of three years for liquor licensees, ticket lotteries, bingo operators and suppliers, and casino gaming assistants. License and registration fees were adjusted accordingly.

*Liquor Licensing Regulations* were amended in January 2002, to raise the license fees for special occasion liquor licenses. The increase was the first of its kind in over twenty years, and was intended to establish fees that reflect the actual costs involved in the licensing and regulation of such events.

*Bingo Regulations* were amended in January 2002 to exempt "low revenue charitable bingo operators" from certain license and reporting requirements. The move was intended to substantially reduce the reporting requirements for charities, thereby enhancing charitable net profits.

*Casino Regulations* were amended in January 2002 to create a three year registration term for casino gaming assistants, and adjust fees accordingly. As well, the Authority has adjusted its policies to reduce the scope of security clearance requirements for casino food and beverage servers who do not have access to the gaming floor.

Furthermore, in efforts to facilitate the application process for ticket lottery licenses and permits, the Authority has set up an on-line application/renewal process through its public web-site. In addition, the Authority has installed debit/credit card equipment to enable its clients to make fee payments through this technology, either in person or via the telephone.

The following report details the activities of the Alcohol and Gaming Authority for the 2001/2002 fiscal year. During this time, the Authority has provided an effective regulatory environment for the alcohol, gaming, and amusement industries in Nova Scotia.

Dennis W. Kerr
Executive Director

## ABOUT THE AUTHORITY

### Mandate

The Alcohol and Gaming Authority is the regulatory body charged with administering Part II of the *Gaming Control Act*, parts of the *Liquor Control Act*, and the *Theatres and Amusements Act*. In broad terms, the Authority has the regulatory responsibility for liquor licensing; regulating the conduct of the casinos, bingos, lotteries and other licensed gaming; ensuring the public interest is protected; and regulating the safety and control of places of amusement.

The Authority's responsibilities include two broad mandates under Part II of the *Gaming Control Act*:

- To license and regulate gaming activity in Nova Scotia to ensure that these activities are conducted with honesty and integrity, while considering the social and economic interests of Nova Scotians.

- To study and report on certain aspects of gaming in Nova Scotia. The areas of study set forth in the Act include public interest and reaction to various forms of gaming; social, economic, health, justice, and environmental impacts of gaming; and the study of the gaming laws and activities in other jurisdictions.

Under the *Liquor Control Act*, the Authority has the mandate to:

- regulate licensed premises for the sale of liquor on the premises;

- recommend public hearings to the Utility and Review Board in order to receive public and community input into applicants' liquor licensing requests; and

- ensure liquor served in public premises has been properly purchased through the NS Liquor Corporation, and is therefore safe for public consumption and with tax correctly paid.

The Authority's mandate pursuant to the *Theatres and Amusements Act* includes film classification, licensing and regulation:

- Film classification duties include the viewing and subsequent classification of film products for use in Nova Scotia as well as other Maritime Provinces.

- Licensing and regulation duties include the processing, approval and control of theatres, places of amusement, and events where fees are charged to the public. Licenses are issued to arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, racetracks, theatres and video rental outlets.

**Organization**

The Alcohol and Gaming Authority is administered by the Minister of the Department of Environment and Labour, pursuant to Part II of the *Gaming Control Act*. The Authority comprises two divisions: 1) Licensing and Registration, and 2) Investigation and Enforcement. Other functions include film classification, and gaming research.

The Authority has a staff complement of 66, and operates from offices in Dartmouth and Sydney. Compliance staff are located throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of RCMP officers provide gaming supplier and employee security clearances, and conduct cheat at play investigations at the casinos.

**Goals**

The current business plan for the Department of Environment and Labour outlines the following goals for the Alcohol and Gaming Authority for the 2002/2003 fiscal year:

- ❖ Improve efficiency and decrease red tape by:
  - implementing a multi-year licensing system with respect to liquor, lottery, and place of amusement licenses,
  - eliminating licensing requirements for small charitable organizations conducting specific gaming events and for cinematographers and their operators, and
  - reviewing the existing process for film classification.

- ❖ Modify the licence fee structure to reflect current costs.

- ❖ Strengthen processes to support future development of a risk-based model for delivery of alcohol, gaming, and amusement inspection, monitoring and compliance services.

## CORE FUNCTIONS

### Licensing and Registration

The Licensing and Registration Division issues licenses and registrations to operators of gaming, liquor and amusements activities in the province of Nova Scotia. This includes:

- bingos, bingo suppliers;
- ticket lotteries conducted by charitable and religious organizations;
- liquor establishments on a permanent and occasional basis;
- video outlets, theatres, and places of amusement;
- casino operator, staff and suppliers; and
- video lottery terminals.

### Investigation and Enforcement

The Investigation and Enforcement Division monitors and inspects all licensees and registrants throughout the Province and investigates complaints of regulatory non-compliance.

The Investigation and Enforcement Division is responsible for monitoring the regulatory compliance of approximately 20,000 licensees and registrants, as well as conducting compliance surveillance at the casinos. Compliance inspections are focussed upon developing an understanding of and compliance with the Acts and their regulations.

The Gaming Analyst Section of the Division conducts regular testing of casino slot machine software to insure each machine is compliant with the legislated minimum payout percentage.

The Division is also responsible for reviewing and making

recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems;
- permitted games of chance played in casinos;
- Rules of Play; and
- slot machine installations, modifications, removals and relocations.

**Film Classification**

Film Classification provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

Film classification provides viewers with information on the content of films or videos prior to attendance or viewing, and ensures that the classification is compliant with the regulations made under the *Theatres and Amusements Act*.

**Gaming Research**

The Alcohol and Gaming Authority is responsible for conducting research on the interest and reactions of the public towards gaming in Nova Scotia; and assessing the social, health, justice, economic, and environmental impacts of gaming in the Province. Since 1995/1996, the Alcohol and Gaming Authority has issued its *Annual Gaming Report*, presenting a compilation and synthesis of gaming related research conducted in the province.

## Gaming Registration Issuance

| | Halifax | Sydney | Total |
|---|---|---|---|
| **Casino Registrations** | | | |
| Gaming suppliers | | | 19 |
| Non-gaming suppliers - exemption | | | 159 |
| Non-gaming suppliers | | | 38 |
| Casino employees | 864 | 236 | 1,100 |
| **Bingo Registrations** | | | |
| Bingo supplier | | | 2 |
| **TOTAL** | | | 1,318 |

To ensure honesty and integrity in all aspects of gaming, all casino suppliers and casino employees are subject to a security clearance process performed by the Authority. Different levels of security clearances are applied to gaming related suppliers and employees (i.e., suppliers of actual gambling equipment), as compared to non-gaming related (i.e., restaurant suppliers).

## Gaming License Issuance

| License Type | Series | Single | Total |
|---|---|---|---|
| Bingo | 465 | 114 | 579 |
| Ticket lottery | 469 | 513 | 982 |
| Permits | | 5,314 | 5,314 |
| Break-open | | 64 | 64 |
| Games of chance/carnival | | 181 | 181 |
| **TOTAL** | 934 | 6,186 | 7,120 |

Series bingo, and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events.

Single bingo, and ticket lottery licenses are issued for individual events.

Games of chance include charitable and commercial carnival events, Monte Carlo fun nights, and games of chance held at annual fairs and exhibitions.

## Place of Amusement License Issuance

| License Type | Total |
|---|---|
| **Place of Amusement** | |
| Arena | 49 |
| Arcade | 16 |
| Halls | 451 |
| Halls - pool | 31 |
| Race track - car | 6 |
| Bowling alley | 27 |
| Park | 5 |
| Festival / Concert | 21 |
| Itinerant | 7 |
| Golf / Mini golf | 11 |
| Other | 2 |
| Film theatre | 11 |
| Drive-in theatre | 3 |
| Live theatre | 9 |
| Museum | 1 |
| **Film Exchange (video outlets)** | 873 |
| **TOTAL** | 1,523 |

## Liquor Licenses in Effect as of March 31, 2002

| License Type | Total |
|---|---|
| **Liquor License** | |
| Beverage Room | 25 |
| Cabaret | 9 |
| Catering | 25 |
| Club | 379 |
| Eating Establishment | 890 |
| Lounge | 427 |
| Military | 8 |
| Permanent Special Occasion | 6 |
| Special Premises | 241 |
| **TOTAL** | 2,010 |

| Special Occasion Liquor License Issuance | |
|---|---|
| License Type | Total |
| Class I | 1,443 |
| Class II | 4,446 |
| Class III | 1,787 |
| **TOTAL** | 7,676 |

Special Occasion License Class I are for events of a private nature for invited guests only, where liquor is being given away.

Special Occasion License Class II Resale are for events of a private nature for invited guests only. Advertising of these events is not permitted.

Special Occasion License Class III shall only be issued to non-profit organizations for community fund-raising events and allows approved advertising. Class III licenses may be issued to athletic organizations on a limited basis.

## Film/Video Classifications

| Classification | Video | 35mm | DVD | Total |
|---|---|---|---|---|
| General | 139 | 13 | 58 | 210 |
| Parental Guidance | 333 | 56 | 107 | 496 |
| Adult Accompaniment | 445 | 100 | 72 | 617 |
| Restricted | 179 | 26 | 27 | 232 |
| Explicit Material | 718 | 0 | 8 | 726 |
| **TOTAL** | 1,814 | 195 | 272 | 2,281 |

**General (G)**: Considered to be suitable for all ages. There are no restrictions on viewing. The material does not contain elements that might be too intense or offensive for young viewers.

**Parental Guidance (PG)**: All ages may attend. However, parents should know that the theme or content of the film may be more mature than in general films. It may be appropriate for those 12 years of age and over.

**Adult Accompaniment (14)**: Considered to be suitable for those 14 years of age and older. Those under 14 must be with an adult.

**Restricted (18)**: Considered to be suitable for those 18 years of age or older. Those under 18 must be escorted by a parent or legal guardian.

**Explicit Material (XXX)**: Access limited to 18 years and older.

**Exempt (E)**: Some types of videos are exempt from classification and carry an E label, including children's cartoons, travelogues, athletic events and cultural, industrial, religious or political films.

## Liquor, Amusement, & Gaming Inspections

| Inspections | Total |
|---|---|
| **Liquor** | 36,891 |
| **Amusement** | 1,801 |
| **Gaming** | |
| Bingo | 544 |
| Casino* | 36,128 |
| Technical | 2,906 |
| VLT | 16,025 |
| **TOTAL** | 94,295 |

* Denotes total inspections conducted at both casinos, pertaining to over 200 casino regulations.

## Liquor, Amusement, & Gaming Complaints

| Complaints | Total |
|---|---|
| **Liquor** | 92 |
| **Amusement** | 3 |
| **Gaming** | |
| Bingo | 45 |
| Casino | 3 |
| VLT | 1 |
| **TOTAL** | 144 |

## Liquor, Amusement, & Gaming Investigations

| Investigations | Total |
|---|---|
| **Liquor** | 68 |
| **Amusement** | 1 |
| **Gaming** | |
| Bingo | 16 |
| Casino | 22 |
| Technical | 8 |
| Other gaming | 8 |
| VLT | 7 |
| **TOTAL** | 130 |

## Liquor, Amusement, & Gaming Disciplinary Actions

| Disciplinary Actions | Warnings | Hearings |
|---|---|---|
| **Liquor** | 32 | 14 |
| **Amusement** | 0 | 0 |
| **Gaming** | | |
| Bingo | 3 | 0 |
| Casino - disciplinary | 0 | 0 |
| Casino - re-instatement | 0 | 21 |
| Lottery (Tickets) | 0 | 0 |
| VLT | 0 | 1 |
| **TOTAL** | 35 | 36 |

## Casino Voluntary Exclusion Program

| | Reinstatement Requests | |
|---|---|---|
| Exclusion Requests | Approved | Denied |
| 114 | 12 | 3 |

The Voluntary Exclusion Program is designed for individuals who feel it is in their best interest not to participate in casino gaming. By signing a Request for Voluntary Exclusion form, an individual can be refused access to the casino, pursuant to the *Casino Regulations* of the *Gaming Control Act*. An excluded participant may apply for reinstatement of access to the Casino by requesting a hearing before the Nova Scotia Utility and Review Board.

# FINANCIAL STATEMENTS (Unaudited)

For Fiscal Year Ended March 31, 2002

**Nova Scotia Alcohol & Gaming Authority**
**Statement of Revenue and Expenditures**
Year Ended March 31

| | 2002 | 2001 |
|---|---|---|
| Revenue | | |
| Liquor license fees | $ 3,704,639 | $ 7,434,626 |
| Lottery / Bingo licenses and fees | 1,518,654 | 1,364,150 |
| Casino fees | 403,379 | 664,443 |
| Amusement licenses | 104,050 | 115,200 |
| Miscellaneous | 2,291 | 3,658 |
| Parimutuel tax | (21,700) | 139,914 |
| Film screening and distribution fees | 321,986 | 332,837 |
| | 6,033,299 | 10,054,827 |
| Administrative expenditures | 4,833,154 | 5,774,312 |
| Net revenue | $ 1,200,145 | $ 4,280,515 |

**Nova Scotia Alcohol & Gaming Authority**
**Schedule of Administrative Expenditures**

| Year Ended March 31 | 2002 | 2001 |
|---|---|---|
| Advertising and promotion | $ 465 | $ 13,580 |
| Bad debts | 8,358 | 445,214 |
| Computer processing | 44,292 | 42,376 |
| Equipment | 11,094 | 7,985 |
| Equipment leasing | 12,597 | 16,632 |
| Freight and duty | 3,213 | 6,373 |
| Interest on lease obligations | 19,918 | 18,406 |
| Meetings | 109,449 | 100,442 |
| Office | 19,119 | 23,339 |
| Other | 12,399 | 16,568 |
| Postage | 26,039 | 25,256 |
| Printing and stationery | 45,868 | 55,594 |
| Professional fees | 143,348 | 171,215 |
| Rent | 297,900 | 297,571 |
| Repairs and maintenance | 1,312 | 1,764 |
| Security services | 441,104 | 706,450 |
| Telephone | 109,004 | 122,268 |
| Travel | 300,032 | 334,898 |
| Training and development | 20,058 | 10,561 |
| Wages and benefits | 3,207,586 | 3,357,819 |
| | $ 4,833,154 | $ 5,774,312 |

## Nova Scotia Alcohol & Gaming Authority
## Notes to the Financial Statements
March 31, 2002

### 1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusements Act and the Liquor Control Act. Revenues are derived from the issuance and renewal of licenses and registration fees and the collection of taxes. The adjudication responsibilities of the Authority are conducted by the Utility Review Board.

### 2. Significant accounting policies

**Liquor license revenue**

License revenue fees charged to licensed operators on the purchase of liquor was changed from 9.3% to 4.1%, effective April 1, 2001.

**Capital assets**

All items of a capital nature in excess of the thresholds established by provincial government policy are capitalized and amortized at rates established by the policy. As of March, 2002 the Authority has no capital assets under the terms of this policy.

**Financial integration**

Effective April 1, 2001, the Authority became a division of the Department of Environment and Labour. The resulting integration of certain asset and liability accounts prevents the presentation of a separate Balance Sheet.

**Audit**

For fiscal years starting 2001-2002, the financial audit of the Authority will be conducted by the Auditor General's Office as part of its review of the Department of Environment and Labour.

### 3. Receivables

| | 2002 | 2001 |
|---|---|---|
| Lottery/Bingo/ Amusement | $ 311,365 | $ 330,895 |
| Film Screening Fees | 101,238 | 109,105 |
| Gaming | 292,625 | 428,385 |
| Liquor | 101,778 | 25,076 |
| Other | 50,046 | 87,049 |
| Pari-mutuel tax | 1,144,560 | 61,978 |
| | $ 2,001,612 | $ 1,042,488 |
| Less: allowance for doubtful accounts | 1,401,871 | 248,953 |
| | $ 599,740 | $ 793,535 |

### 4. Lease obligation

| | 2002 | 2001 |
|---|---|---|
| Newcourt Financial Limited, thirty - six monthly blended payments of $18,769 to July, 2001, effective annual rate of interest of 9.83% | - | 73,541 |

### 5. Related party transactions

The Authority purchases certain services from other departments of the Province of Nova Scotia on a fee for service basis, including but not limited to:

- leasehold and related maintenance;
- communication technology systems and network access.

In addition, the Authority received services at no charge, including but not limited to:
- accounting technology systems and processing;
- human resource management;
- payroll processing, including pensions and benefit administration.

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